Chartered Accountant SINGAPORE

SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: Assurance (AS)

EXAMINATION DATE: 16 June 2026

Section 1
General comments

The overall performance for the June 2026 exam was lower compared to the December 2025 exam.

Candidates demonstrated stronger performance on topics that were more common and less complex, including (i) identification of financial statements' risks; (ii) identification of the relevant internal control procedures for purchases and debtors, (iii) identification of concerns and responses in situations where conflict of interest arise; (iv) describing specific responsibilities of the engagement quality reviewer, and (v) evaluation of experts. Candidates did not perform well on questions that require critical thinking, such as providing audit procedures related to management's assumptions used in the discounted cash flow projections, providing rationale why certain assertions related to certain account balance or class of transaction are considered as significant risk, describing audit procedures for existence of cryptocurrency holdings and discussing the implication on for the audit opinion.

Candidates are strongly encouraged to thoroughly review the case facts and question requirements prior to answering each question. This will help prevent the loss of marks resulting from misinterpretation, omission of key facts, or failure to address all components of the question, noting that some questions may contain multiple requirements.

Section 2
Analysis of individual questions

Question 1

Q1(a) is a straightforward question requiring as candidates were required to describe four risk assessment procedures However, many candidates misunderstood the question requirement. Some of the misinterpretations include:

- Describing audit procedures to address the risk factors in the case facts such as detailed testing of accounts such as revenue, purchases and inventory.
- Describing risk factors from the case facts that were required for Q1(b).
- Explaining the information that auditors should obtain when doing risk assessment e.g. understanding the entity and its environment instead of how this understanding can be obtained e.g. by making inquiries of management and staff.
- Describing the components of the audit risk model.

For those who understood the requirement of Q1(a), they gave the accurate answers.

Q1(b) is generally well-attempted as candidates generally demonstrated strong understanding of risk factors affecting the risk of material misstatements at the financial statement level. Some of the candidates wrongly identified the effect of the 100-day free trial scheme that allows for sales return by customers and the valuation of derivative liabilities as financial statement risks when in fact, they should be risk of material misstatement at assertion level.

For Q1(c), many candidates did not explain why there were risks of material misstatement affecting occurrence assertion of revenue and the valuation assertion of derivative liabilities. Instead, they proceeded directly to discuss the rationale for each of the inherent risk factors. Several candidates did not identify or explain how the potential sales returns affected the Uncertainty inherent risk factor. Many candidates also struggled to provide an appropriate rationale for the Complexity inherent risk factor relating to derivative liabilities, with responses focusing more on the Subjectivity inherent risk factor. Weaker candidates simply repeated the case facts, mistaking this for providing a rationale.

For Q1(d), candidates were able to identify and explain, to a reasonable extent, why the occurrence assertion of revenue and the valuation assertion of derivative liabilities were identified as significant risks. However, many candidates did not adequately address the audit implications of significant risks in accordance with SSA 315. Instead, responses tended to focus on potential misstatements (e.g. revenue being overstated or derivative liabilities being understated) rather than explaining how the identification of a significant risk affects the auditor's risk assessment and audit approach. A common weakness was merely stating the risk of overstated revenue or understated liabilities, rather than explaining how the identification of a significant risk affects the auditor's risk assessment and audit approach.

For Q1(e), candidates performed reasonably well in identifying controls relating to the relevant assertions, namely completeness for purchases and existence for trade receivables. While candidates are expected to describe the appropriate controls and linked them clearly to the assertions, some candidates merely listed audit procedures without explaining how the controls addressed the relevant assertions. Where audit procedures were discussed, the stronger candidates are able to explain how procedures such as tracing transactions to supporting documents and sending trade receivable confirmations addressed the relevant assertions.

Candidates should read all parts of the question carefully and ensure they understand each requirement before answering. Candidates should ensure that their answers are relevant to the facts of the case. They should also recognise that examiners typically do not ask similar questions requiring the same response. For example, as Q1(c) focused on risks of material misstatement at the assertion level for revenue and derivative liabilities, these answers should not have been repeated in Q1(b).

Question 2

For Q2(a)(i), most candidates were able to identify that the provision of setting up and implementing the enterprise risk management framework and the performance of the audit by the same firm constitutes self-review threat and suggested appropriate responses, with the most common one to use separate engagement teams for the services. A few candidates answered that self-interest threat may arise from financial interests (which is not in the fact pattern in the case study) in the potential client which is a private entity and to get the auditors to declare their independence before accepting the engagement.

For Q2(a)(ii), the concerns could have been easily addressed by reproducing the relevant facts from the case (i.e. about the dominance over decision-making process, rare Board of Directors' meetings and limited accounting knowledge of the independent directors). A number of candidates suggested that the client should hires more personnel with accounting knowledge; others suggested, without further details, that walkthroughs be performed to understand controls. These suggestions do not address the concern over the attitude of key management personnel towards the control environment.

A few suggested that the engagement letter includes the directors' responsibility for internal control and financial statements or agree these responsibilities at the client kick-off meeting, when these are already required under the legislation and do not respond to concerns about the attitude of key management personnel towards internal control environment. A few candidates seemed to have missed that there are two parts to the question and did not address the requirement in the question for three concerns in the specific areas outlined in the question and only addressed the requirement for the responses, thereby losing the related marks. More appropriate answers focused on how the concern can be addressed during the audit, for example, by placing greater emphasis on professional scepticism, increasing the extent of substantive procedures and increasing the communications to those charged with governance.

For Q2(a)(iii), The case study mentioned complex areas of the audit being cryptocurrency and financial instruments. Several candidates identified the cryptocurrency part but missed out the convertible financial instruments. The response would have been straightforward, either staff with prior audit experience in the relevant subject matter should be involved or specialists and/or experts should be engaged. While the specific area in the question was on "Competence and capabilities of the audit team", a number of candidates suggested increasing the number of personnel in the audit team or hiring more staff assuming that the predecessor auditor's citing the reason for resignation as "resource constraints" to refer to the size of the audit team.

For Q2(b), Candidates were required to describe one alternative procedure, as part of opening balances testing, to ascertain the existence, completeness or accuracy of the opening trade receivable balance for a specific scenario. Many candidates were able to give the most direct answer which is to seek confirmations from the customers. Several suggested getting confirmation from the audit client or from the previous auditor regarding the existence, completeness and accuracy of the opening trade receivable balance or reviewing the previous auditor's working papers to obtain evidence the evidence, all of which are not appropriate answers.

For Q2(c), most candidates are able to address responsibilities of EQR and could elaborate on the requirements under SSQM 2.

For Q2(d), candidates are generally able to identify and explain the relevant audit procedures. However, many responses were too generic and were not sufficiently tailored to the specific subject matter of the question, such as the audit considerations relating to AI chips. Some candidates also inappropriately suggested performing a depreciation reasonableness test to address the change in the useful lives of the servers. In addition, candidates demonstrated a general lack of knowledge of cryptocurrencies, with many unable to propose appropriate audit procedures in this area. Most candidates also failed to identify and describe the audit procedures required for convertible loans.

Q2 (e) is straightforward and candidates are generally able to identify the internal control weaknesses.

Question 3

For Q3(a), ccandidates generally performed well and were able to address the question requirements. Most candidates appropriately provided auditor's evaluation and proposed relevant audit procedures for evaluating the sales volume, selling price and discount rate used in the valuation. However, some candidates incorrectly compared the selling price using historical prices instead of post year-end market prices or observable market evidence.

For Q3(b), many candidates did not properly understand the nature of the FVLCTS valuation methodology and were unable to distinguish it from the Discounted Cash Flows valuation method. Some candidates incorrectly interpreted costs to sell as the CGU's operating costs or cost of sales, rather than the direct incremental costs associated with the disposal of the CGU/business. As a result, they were unable to identify the appropriate audit procedures to evaluate the key assumptions used by the independent valuer. Some candidates incorrectly relied on sensitivity analysis as an audit procedure for evaluating the FVLCTS valuation method. Candidates should develop a clear understanding of the different valuation models and ensure that proposed audit procedures are tailored to the specific valuation method being evaluated.

For Q3(c), most candidates were able to identify one of the criteria for involving an auditor's expert, namely, that the audit team lacked the requisite expertise to address complex valuation techniques. However, many struggled to identify the second criterion. In relation to evaluating the expert's objectivity, technical competence, and exercise of professional due care, most candidates demonstrated a reasonable understanding of how to assess objectivity and technical competence. However, fewer candidates were able to explain how an auditor should evaluate whether the expert had exercised professional due care in performing their work.

For Q3(d), candidates could generally recognise that the question centred on the distinction between adjusting and non-adjusting events, and the majority correctly concluded that the cash flow projections should be revised because the event was adjusting in nature. However, many candidates were unable to clearly articulate why the termination of the distribution agreement after the reporting date constituted an adjusting event. In particular, candidates often failed to explain that the termination provided additional evidence of conditions that existed at the reporting date and was therefore relevant to the assessment of assumptions underpinning the cash flow projections. As a result, while the conclusion was often correct, the supporting analysis and rationale were insufficiently developed.

For Q3(e), most candidates demonstrated a good understanding of the different types of modified audit opinions, particularly the distinction between a qualified opinion and an adverse opinion. The majority of candidates were able to explain that the impairment loss of US$300 million was material, as it significantly exceeded the overall financial statements' materiality threshold of US$10 million. Most candidates were unable to adequately explain why the impairment loss was considered pervasive to the financial statements.

A common view taken on why the misstatement was not pervasive was that the impact was confined to goodwill or the related CGU and did not fully consider the broader implications of the misstatement on the financial statements as a whole. Some candidates provided generic explanations, stating that the misstatement would affect profit or loss, total assets, or multiple financial statement line items, without articulating what impact it would have had on these items based on the facts in the question. One common misconception was that a misstatement can only be considered pervasive if it exceeds a certain quantitative threshold, such as 50% of a financial statement line item. Consequently, some candidates concluded that the impairment was not pervasive because it represented only 30% of revenue or 25% of the goodwill balance. However, pervasiveness is not determined solely by quantitative measures. Candidates were expected to assess the nature and extent of the misstatement and whether its effects were fundamental to users' understanding of the financial statements.